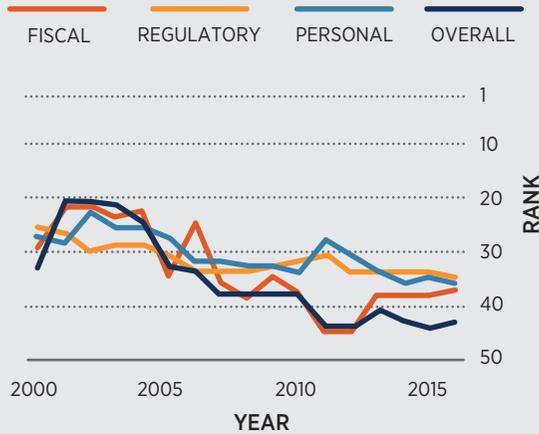


DELAWARE

2016 RANK
43rd



POLICY RECOMMENDATIONS

- **Fiscal:** Reduce state-level taxes and education spending. Delaware is one of the freest-spending states in the country on education. Allow local governments to pick up more of the school spending out of their own fiscal resources.
- **Regulatory:** Liberalize insurance laws by moving to a “use and file” system for property and casualty rates and life insurance forms, and join the IIPRC.
- **Personal:** Eliminate or significantly limit civil asset forfeiture, consistent with reform trends across the country aimed at protecting the individual property rights of innocent people prior to conviction.



Population, 2017

961,939

Net Migration Rate

9.1%



State Taxes, Percent of Personal Income, FY 2017

7.47%

Local Taxes, Percent of Personal Income, FY 2015

2.39%

Partisan Lean, 2016

D +5.4



Real Per Capita Personal Income, 2016, in 2009 \$

\$43,223

Real Personal Income Growth, CAGR, 2000-15

2.1%

ANALYSIS

Since the early 2000s, Delaware has lost a lot of ground across the board relative to the rest of the country. It now ranks in the bottom third on all three dimensions of freedom, earning its 43rd place by overall poor performance. Part of the reason for this low ranking is that the state had one of the most free-market health insurance systems before the enactment of the Patient Protection and Affordable Care Act (PPACA), and so it suffered disproportionately because of the federal law. Moreover, its much-touted advantage on corporate law is significantly overstated.

On fiscal policy, Delaware is below average but improved from its relative trough several years ago. The overall tax burden, at about 9.8 percent of personal income, is worse than average, and the state is highly fiscally centralized with most of the tax burden at the state level. With 1.6 competing jurisdictions per 100 square miles, Delawareans would stand to benefit were the state to allow more tax space for local governments. Debt and public employment are about average.

Delaware has been getting worse on regulatory policy and is below average on most regulatory policy categories. Labor law is fairly anti-employment, with a minimum wage and no right-to-work. Occupational freedom is mediocre, with dental hygienists and nurse practitioners unable to practice independently. The state has certificate-of-need laws for hospitals. Land-use regulation ratcheted up significantly in the 2000–2010

period, as have renewable portfolio standards for utilities. The state’s insurance commissioner treats property and casualty insurance rates under “prior approval” contrary to statute, according to the Insurance Information Institute.¹¹⁸ The state remains one of a handful that have not joined the Interstate Insurance Product Regulation Compact (IIPRC). Even the state’s vaunted liability system has actually deteriorated since 2000 to merely average, we find. The state has enacted no tort reforms, and the size of the legal sector has grown, whether measured in number of lawyers or share of GDP.

Delaware is below the national average in personal freedom. The state is mediocre on gun rights; the biggest problem area is the “may-issue” regime for concealed-carry licensing. Gambling freedom is higher than the national average, and the state was at the forefront of legal online gambling for its own residents. There are no private school choice programs, but homeschooling is easy. Smoking bans are comprehensive, and cigarette taxes were about average until 2017, when the rate was increased 60 cents to \$2.10 per pack. The state’s medical cannabis law was expanded in 2011–12, and low-level possession was decriminalized in 2015. Alcohol taxes, already a bit lower than average, have eroded over time because of inflation. However, the state bans direct wine shipments. Delaware is roughly average on the overall incarceration and arrests category, but the state’s civil asset forfeiture law is tied for worst in the country, with few protections for innocent owners.

118. See the “Metadata” tab of the n_reg_15.xls spreadsheet.